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National Tea Co.

ANNUAL REPORT

For the Year Ending
December 31, 1926

NATIONAL TEA CO.
CHICAGO
NOT TO BE TAKEN

Chicago, Ill., March 4th, 1927

1000 CROSBY STREET, CHICAGO, ILLINOIS

March 4th, 1927.

To the Stockholders of the National Tea Co.:

Herewith I present the financial accounts of your Company for the year 1926 from which you will see the net profits for the year after deducting Federal Taxes are $1,585,221.21 against $1,569,636.04 for the year 1925.

One point which it is not practical to cover in detail in this statement is the fact that stores which were established prior to 1926 show an increased ratio of profit as compared to 1925 while as is quite natural newly established stores and especially those placed into new territory have not done so well. I feel optimistic, however, that the new fields entered into to date will show a profit for the year 1927, and pave the way for future advantageous expansion which it is our purpose to take advantage of.

The stores in operation on December 31, 1926, were 840 or an increase of 79 during the year under review.

The sales during 1926 totaled $53,657,785.48, being an increase of about 13% over the year 1925.

The favorable merchandising conditions existing at this time coupled with the completion of improved plant equipment and strengthening of our operating organization creates a bright outlook for 1927.

Yours very truly,

GEO. RASMUSSEN, President.

BALANCE SHEET, DECEMBER 31, 1926

ASSETS

CURRENT ASSETS—			
Cash on Hand and in Banks		$ 723,374.96	
Accounts and Notes Receivable less Reserve for Bad Debts		215,879.04	
Inventories of Merchandise and Supplies on hand and in transit at cost of market whichever lower		6,351,578.30	
Mortgages Receivable (due 1927)		41,770.00	
Total Current Assets			$ 7,332,602.30
MORTGAGES RECEIVABLE—			
Due Subsequent to 1927			14,960.00
***INVESTMENT IN AND ADVANCES**			
To National Tea Company, Minneapolis			270,000.00
TREASURY STOCK AT COST			118,332.33
PROPETRIES (at cost less depreciation)—			
Land and Buildings		$3,679,824.86	
Machinery, Fixtures and Equipment		1,923,937.88	
Delivery Equipment		283,151.39	5,886,914.13
GOODWILL			$ 2,079,022.05
DEFERRED CHARGES—			
Advanced Premiums to Customers— Less Reserve, Reorganization Expense, Development Expense, Prepaid Taxes, Insurance, Etc.			571,403.59
			$16,273,234.40

LIABILITIES

CURRENT LIABILITIES—			
Notes Payable		$1,200,000.00	
Accounts Payable—			
Trade	$1,093,560.11		
Payroll and Commissions	124,670.89		
Interest and Taxes	195,474.96		
Employees Deposits	9,118.42		
Dividends Accrued	184,088.17		
Provision for Federal Taxes— Estimated	232,000.00	1,838,912.55	
Purchase Money Obligations— Due 1927		222,875.00	
Commercial Letters of Credit (Secured by Trust Receipts and Coffee in Transit)		548,275.88	
Total Current Liabilities			$ 3,810,063.43
PURCHASE MONEY OBLIGATIONS— Due subsequent to 1927			702,500.00
CONTINGENT RESERVE			28,892.80
PREFERRED STOCK 6½% CUMULATIVE— Authorized 50,000 shares of $100.00 each		$5,000,000.00	
Issued 35,000 shares		3,500,000.00	
Less held in Treasury 2,400 shares		240,000.00	3,260,000.00
COMMON STOCK— Authorized and Issued 150,000 shares of no par value			1,537,139.20
SURPLUS—			
Appropriated for Redemption of Preferred Stock		$ 105,000.00	
Unappropriated		6,829,638.97	6,934,638.97
			$16,273,234.40

*The proportion of earnings of the National Tea Company of Minneapois accruing to this Company to December 31, 1926, not included in earnings amounted to approximately $175,000.00.

(Continued on the following page)

INCOME AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1926

Sales		$53,657,785.48
Net Operating Profit		$ 1,817,221.21
Estimated Federal Taxes		232,000.00
Net Profit after deducting Federal Taxes		$ 1,585,221.21
Less Dividends—		
Common	$ 596,275.00	
Preferred	210,780.60	807,055.60
Net Addition to Surplus for year ending December 31, 1926		$ 778,165.61
Surplus January 1, 1926		
Earned	$4,169,071.41	
Capital	2,000,000.00	6,169,071.41
		$ 6,947,237.02
Deduct—		
Prior years Federal Taxes	$ 12,598.05	
Sinking Fund Provision	105,000.00	117,598.05
Unappropriated Surplus as per Balance Sheet		$ 6,829,638.97

We have examined the books and records of the National Tea Co. and its subsidiaries for the year ending December 31, 1926, and we certify that, in our opinion, the above Consolidated Balance Sheet and relative Income and Surplus Account correctly set forth the financial condition of the Company as at December 31, 1926, and the results from operation for the year to that date and that they are in accordance with the books. The inventories of merchandise have been taken and valued by the Company's officials at cost or market price, whichever was lower.

ARTHUR YOUNG & COMPANY,
Certified Public Accountants

February 26, 1927